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**ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA
ST. TAMMANY PARISH GOVERNMENT**

Annual Financial Statements

As of December 31, 2006 and for the Year Then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/18/07

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**ST. TAMMANY PARISH DRAINAGE DISTRICT NO 2
SLIDELL, LOUISIANA
ST TAMMANY PARISH GOVERNMENT**

Management Discussion and Analysis

As of and for the Year Ended December 31, 2006

This section of the Drainage District's annual financial report presents our discussion and analysis of the Drainage District's financial performance during the fiscal year that ended on December 31, 2006. Please read it in conjunction with the Drainage District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Drainage District's cash increased by \$ 11, 558.81 over the prior year ending balance.
- The general fixed assets decreased due to the recordation of depreciation.
- Accounts receivable remained unchanged for the current year.
- Accounts payable decreased by \$ 2,866.97.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements:

- Balance Sheet – consisting of all governmental fund types.
- Statement of revenue, expenditures, and changes in fund balance - consisting of all governmental fund types.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS

The Drainage District has a very small operation. The maintenance and repair of the levees and the pumping station and the utilities to operate the pumps are the major expenditures of the Drainage District. All expenditures remained consistent with prior years. The net assets of the Drainage District increased when the effects of depreciation are removed. The revenues of the Drainage District are assessed on a yearly basis, which gives the effect of cash in and cash out type of entity.

BUDGET HIGHLIGHTS

The Drainage District's budget was approved according the Louisiana Governmental Budget Act. There were no amendments to the budget and no actual expenditures over budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Drainage District's budgetary outlook for 2004 is consistent with prior years. With the threat of storms and hurricanes eminent in this area, there is always the need for an emergency levee repair or pump repair. The repairs are projected to be minimal for the next year. All operations for the next year are to continue the same as prior years.

DAVID AND JEFFREY MOYLE, CPAs, LLC
CERTIFIED PUBLIC ACCOUNTANT

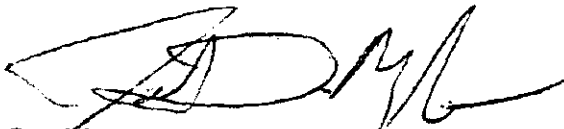
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Board of Commissioners
St. Tammany Parish Drainage District No. 2
St. Tammany Parish Government
Slidell, Louisiana

We have compiled the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the St. Tammany Parish Drainage District No. 2, a component unit of the St. Tammany Parish Government, as of and for the year ended December 31, 2006, which collectively comprise the Drainage District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management of the St. Tammany Parish Drainage District Number Two. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the management's discussion and analysis from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



David and Jeffrey Moyle, CPA's, LLC

June 30, 2007

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
ST. TAMMANY PARISH GOVERNMENT
SLIDELL, LOUISIANA
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
December 31, 2006

	<u>General Fund</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
ASSETS			
Current Assets			
Cash	\$ 12,617.75		\$ 12,617.75
Accounts Receivable	41,264.69		41,264.69
Property and Equipment			
Land, Equipment & Building net of \$154,043.08 depreciation		56,930.92	56,930.92
TOTAL ASSETS	<u>\$ 53,882.44</u>	<u>\$ 56,930.92</u>	<u>\$ 110,813.36</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FUND BALANCES			
			0.00
Fund Balance (Deficit) Unreserved	53,882.44	(53,882.44)	0.00
TOTAL FUND BALANCES	<u>53,882.44</u>	<u>(53,882.44)</u>	<u>0.00</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53,882.44</u>		
NET ASSETS:			
Investment in Capital Assets, net		56,930.92	56,930.92
Unrestricted		53,882.44	53,882.44
TOTAL NET ASSETS		<u>\$ 110,813.36</u>	<u>\$ 110,813.36</u>

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
ST. TAMMANY PARISH GOVERNMENT
SLIDELL, LOUISIANA
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	Adjustments	Statement of Net Assets
REVENUES			
Ad Valorem Taxes	\$ 52,200.67		\$ 52,200.67
Interest Earnings	151.81		151.81
Other Revenue	0.00		0.00
TOTAL REVENUES	52,352.48	-	52,352.48
EXPENDITURES			
Compensation Paid Board Members	-		-
Insurance	1,469.00		1,469.00
Professional Services	3,400.00		3,400.00
Maintenance and Repairs			-
General	-		-
Pumps	-		-
Levee	-		-
Emergency Repairs	-		-
Fees	1,894.79		1,894.79
Supplies General	213.30		213.30
Utilities	37,334.68		37,334.68
Depreciation	-	2,577.47	2,577.47
TOTAL EXPENDITURES	44,311.77	2,577.47	46,889.24
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,040.71	(2,577.47)	
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	8,040.71	(8,040.71)	(0.00)
Change in net assets		5,463.24	5,463.24
FUND BALANCE/NET ASSETS			
Beginning of the year	45,841.73	59,508.39	105,350.12
End of the year	\$ 53,882.44	\$ 56,930.92	\$ 110,813.36

**ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended December 31, 2006

INTRODUCTION

In accordance with R.S. 1674.15, St Tammany Parish Drainage District No. 2 (Drainage District) was created and given authority to accept and approve any and all drainage facilities constructed at the expense of landowners within the assessment area and donation thereof. According to R.S. 1608, the St Tammany Parish Government is to appoint five commissioners, who shall constitute the governing authority of the Drainage District. The Commissioners will oversee the operations and maintenance of levees and drainage in district number two as well as upkeep and maintenance of the drainage facilities. In order to accomplish the operations of the district, the commissioners may impose annually an acreage tax. The commissioners are not compensated and the Drainage District does not have any employees. The Drainage District number two serves the area east of Interstate ten, approximately twenty five hundred acres.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Drainage District is considered a component unit of the St. Tammany Parish Government. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Drainage District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for governmental funds. All individual governmental funds are reported as separate columns in the fund financial statements.

St. Tammany Parish Drainage District No. 2
Slidell, Louisiana
Notes to the Financial Statements (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Drainage District reports the following governmental funds:

The General Fund – Special Revenue Fund is the entity's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund.

Account Group – General Fixed Assets Account Group – Used to account for all fixed assets of the Drainage District.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Drainage District's investment policy allow the entity to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources

All trade and property tax receivables are shown net of an allowance for uncollectives. The Drainage District has a past history of collecting all the assessed property taxes, so an allowance for uncollectible receivables is not used.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

St. Tammany Parish Drainage District No. 2
 Slidell, Louisiana
 Notes to the Financial Statements (Continued)

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			
Property	18.2	18.2	Yearly
_____	_____	_____	_____
Principal and interest	_____	_____	_____

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Drainage District maintains a threshold level of \$1000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and building improvements	40 years
Equipment	30 years

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Drainage District, which are either unusual in nature or infrequent in occurrence.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The Drainage District uses the following budget practices:

St. Tammany Parish Drainage District No. 2
Slidell, Louisiana
Notes to the Financial Statements (Continued)

The Drainage District prepares the budget on a calendar year basis. The 2003 budget was adopted in December, 2002 according to the Local Governmental Budget Act. The budget is created and managed on a non-GAAP budgetary basis. For the year ending December 31, 2003, there were no excess expenditures over appropriations.

3. CASH AND CASH EQUIVALENTS

At December 31, 2006, the Drainage District has cash and cash equivalents totaling \$11,558.81 as follows:

Demand deposits	\$
Interest-bearing demand deposits	11,558.81
Time deposits	
Other	
Total	\$ 11,558.81

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2006, the Drainage District has \$11,558.81 in deposits. These deposits are secured from risk by \$100,000 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the entity that the fiscal agent has failed to pay deposited funds upon demand.

5. RECEIVABLES

The receivables of \$45,680.18 at December 31, 2006, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$	\$ 45,680.18	\$ 45,680.18
Sales and use			-
Other			-
Intergovernmental - grants:			
Federal			-
State			-
Local			-
Accounts			-
Notes			-
Other			-
Total	\$ -	\$ 45,680.18	\$ 45,680.18

7. CAPITAL ASSETS

St. Tammany Parish Drainage District No. 2
Slidell, Louisiana
Notes to the Financial Statements (Continued)

Capital assets and depreciation activity as of and for the year ended December 31, 2006, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated				
Buildings	10,000.00			10,000.00
Improvements other than buildings				
Machinery and equipment	200,974.00			200,974.00
Total capital assets being depreciated	210,974.00			210,974.00
Less accumulated depreciation for:				
Buildings	10,000.00			10,000.00
Machinery and Equipment	133,733.20	2,577.47		136,310.67
Total accumulated depreciation	143,733.20			146,310.67
Total capital assets being depreciated, net	67,240.80			64,663.33

Depreciation expense of \$2,577.47 for the year-ended December 31, 2006, was charged to the Special Revenue Fund.

10. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$2,587.50 at December 31, 2006, are as follows:

	<u>General Fund</u>	<u>Fund</u>	<u>Total</u>
Salaries	\$ -	\$ -	\$ -
Withholdings			-
Accounts		2,587.50	2,587.50
Other			-
Total	\$ -	\$ 2,587.50	\$ 2,587.50

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
ST. TAMMANY PARISH GOVERNMENT
SLIDELL, LOUISIANA
STATEMENT OF REVENUE, EXPENDITURE, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL-SPECIAL REVENUE FUND
FOR THE YEAR ENDING DECEMBER 31, 2006

REVENUES	Budget	Actual	Variance- Favorable (Unfavorable)
Property Tax Revenue	\$ 36,361.00	\$ 52,200.67	\$ 15,839.67
Interest Earnings		151.81	151.81
Donations	0.00	0.00	-
TOTAL REVENUES	36,361.00	52,352.48	15,991.48
EXPENDITURES			
Workmens Comp.	0.00	1,469.00	(1,469.00)
Office Supplies	0.00	130.00	(130.00)
Post Office Box Rental	61.00	83.30	(22.30)
Professional Services			
Engineering	1,200.00	3,400.00	(2,200.00)
Legal	0.00	0.00	0.00
Accounting	1,800.00	0.00	1,800.00
Sheriff Fee - Tax	1,200.00	1,294.79	(94.79)
Assessor	600.00	600.00	0.00
Utilities (Electric)	30,000.00	37,334.68	(7,334.68)
Maintenance/Repairs			
Levee	0.00	0.00	0.00
Pumps	1,500.00	0.00	1,500.00
Emergency	0.00	0.00	0.00
TOTAL EXPENDITURES	36,361.00	44,311.77	(7,950.77)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0.00	8,040.71	
FUND BALANCES, BEGINNING (NON-GAAP BUDGETARY BASIS)		45,841.73	
FUND BALANCES, ENDING (NON-GAAP BUDGETARY BASIS)		\$ 53,882.44	

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
ST. TAMMANY PARISH GOVERNMENT
SLIDELL, LOUISIANA

SUPPLEMENTAL INFORMATION SCHEDULE
DECEMBER 31, 2006

COMPENSATION PAID BOARD MEMBERS

The appointed commissioners did not receive any compensation or per diem from the district for their duties.

**ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA**

**Status of Prior Audit Findings
For the Year Ended December 31, 2005**

<u>Ref. No.¹</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken^{2&3}</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
		None		
Section II - Internal Control and Compliance Material to Federal Awards: ⁴				
		None		
Section III - Management Letter:				
		None		

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 2
SLIDELL, LOUISIANA

**Current Year Findings, Recommendations and
 Corrective Action Plan**

For the Year Ended December 31, 2006

<u>Ref. No.¹</u>	<u>Description of Finding</u>	<u>Corrective Action Planned²</u>	<u>Name(s) of Contact Person(s)³</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
_____	None	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Section II - Internal Control and Compliance Material to Federal Awards:				
_____	None	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Section III - Management Letter:				
_____	None	_____	_____	_____
_____	_____	_____	_____	_____

ST TAMMANY DRAINAGE DISTRICT NO. 2
P O BOX 2165
SLIDELL, LA 70459

LOUISIANA ATTESTATION QUESTIONNAIRE

David and Jeffrey Moyle CPAs, LLC
1312 Lakewood Drive
Suite C
Slidell, LA 70458

In connection with your compilation of our financial statements as of December 31, 2006 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 28, 2007.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes [☒] No [☐]

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [☒] No [☐]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [☒] No [☐]

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [☒] No [☐]

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No [☐]

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [☒] No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [☒] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [☒] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [☒] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [☒] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Renée A. Ornelas Secretary 6-28-07 Date

Treasurer _____ Date

President _____ Date